

Memo

To: David Roderique, General Manager, Economic Vitality Department
From: Scott Cooper, Business Development Specialist, Economic Vitality Department
Date: 11/24/2003
Re: Economic Impact of the Scottsdale Airport/Airpark

The attached information provides a quick analysis of the economic impact of the Scottsdale Airport/Airpark area. This is not a full-blown economic impact study, but rather an update based on studies from earlier years. This information is taken from the *Economic Impact of the Scottsdale Municipal Airport* report from 1986 and prepared by the College of Business, ASU, and the *Economic Impact of the Scottsdale Airport* report from 1992, prepared by Leibowitz Airport Management Consultants, Inc. The numbers have been extrapolated out to better reflect today's impact, therefore making these numbers a "best guess" scenario.

In summary, the economic impact of the Scottsdale Airport/Airpark can be defined a number of ways:

- Total Value-Added of all economic activity in the Airpark: \$2.5-3.0 billion annually
- Total Value-Added of all economic activity at Scottsdale Airport only: approx. \$63 million annually in direct revenues; adding indirect and induced impacts would increase that figure to \$182 million
- Current Employment in the Airpark: approx. 42,000 jobs in 2,200 firms
- Current Payroll in the Airpark: approx. \$1.36 billion annually
- Direct City Sales and Property Tax revenues from the Airpark: approx. \$23 million annually

Tables 1 through 7 on the following pages provide the specific data that was used to arrive at these figures. If you have any questions or comments, please contact me directly at 480-312-7125.

Table 1: ESTIMATED ECONOMIC IMPACT PER COMPANY AND PER EMPLOYEE ON A VALUE-ADDED BASIS – SCOTTSDALE AIRPARK

This table uses the *Economic Impact of the Scottsdale Municipal Airport (Airpark)* report from 1986, prepared by the College of Business, ASU. The 1985 numbers for employment were 7,687 in 500 firms. The value added to the Scottsdale economy by Airpark businesses was \$335.2 million. I divided the value added number by the number of firms to determine the impact per firm, \$670,400. Then, I used a 3% annual inflation factor through 2002, to arrive at a current estimated economic impact per firm of \$1,108,069. This number was then multiplied by the number of firms in 2002 (2,198) to get the total estimated economic impact of firms in 2002 (\$2,435,535,778).

The same type of methodology was used in Table 1a, except this used the estimated economic impact per employee to calculate. Using jobs, the estimated economic impact of employment in 2002 comes out to \$2,974,142,673.

***Note:** These figures are an estimate of spending – termed “value added” – created by the presence of the airport, and includes wages and employee benefits, rent, utilities, depreciation, materials supplies, services and taxes paid by airport firms and public agencies.

TABLE 1 & 1a

Year	Based on # of Companies				Based on # of jobs		
	Impact/Firm	3% inflation	Year end total		Impact/job	3% inflation	Year end total
1986	670,400	20,112	690,512		43,606	1,308	44,914
1987	690,512	20,715	711,227		44,914	1,347	46,262
1988	711,227	21,337	732,564		46,262	1,388	47,650
1988	732,564	21,977	754,541		47,650	1,429	49,079
1989	754,541	22,636	777,177		49,079	1,472	50,551
1990	777,177	23,315	800,493		50,551	1,517	52,068
1991	800,493	24,015	824,507		52,068	1,562	53,630
1992	824,507	24,735	849,243		53,630	1,609	55,239
1993	849,243	25,477	874,720		55,239	1,657	56,896
1994	874,720	26,242	900,962		56,896	1,707	58,603
1995	900,962	27,029	927,990		58,603	1,758	60,361
1996	927,990	27,840	955,830		60,361	1,811	62,172
1997	955,830	28,675	984,505		62,172	1,865	64,037
1998	984,505	29,535	1,014,040		64,037	1,921	65,958
1999	1,014,040	30,421	1,044,461		65,958	1,979	67,937
2001	1,044,461	31,334	1,075,795		67,937	2,038	69,975
2002	1,075,795	32,274	1,108,069		69,975	2,099	72,074
TOTAL IMPACT X firms	(2,198)		\$2,435,535,778		x employees	(41,265)	\$2,974,142,673

Table 2: CURRENT AIRPARK STATISTICS

The number of current (Dec. '02) firms, employees, square feet, and retail square feet in the Airpark, as estimated in the annual "Airpark 2020" study, prepared by Jim Keeley or Colliers Classic. Updated numbers are due out shortly; based on previous rates of growth in the Airpark, we would expect that the 2003 numbers show at least 2,300 businesses with about 43,000 employees and total square feet of commercial space of around 18,000,000.

TABLE 2

Number of Companies	2,198
Number of Employees	41,265
Retail Square Feet	3,398,330
Total Square Feet	17,356,120

Table 3: ESTIMATED PAYROLL IMPACT: AIRPARK

The average salary for Arizona (from the AZ Dept. of Economic Security) multiplied by the number of jobs in the Airpark. The Statewide salary number is likely to be too low for the Airpark, given the average salary for new companies locating in the Airpark over the past several years has been near \$60,000, but this number was used in order to remain very conservative.

TABLE 3

Employment & Payroll Impact		
# of Employees	Arizona Average Salaries	Total Payroll
41,265	\$32,988*	\$1,361,250,000

*The estimated current average Arizona salary from the AZ Department of Economic Security

Table 4: ESTIMATED ECONOMIC IMPACT: AIRPORT

These figures are derived from the *Economic Impact of Scottsdale Airport (Airpark)* report from 1992, prepared by Leibowitz Airport Management Consultants, Inc. The 1992 number of \$32,088,000 represents the direct revenue impacts of the Scottsdale Airport. This total was generated by looking at the direct gross revenues received by firms directly benefiting from the presence of Scottsdale Airport. These revenues come from charter/corporate, fixed base operators/flight schools, government, support services, and ground transportation. These 1993 numbers then were increased by both inflation (estimated at 3% per year) and by increased growth in airport activity (estimated at 4% per year) to arrive at the new estimated direct impact figure of \$63.1 million. The earlier study also looked at the indirect and induced economic impacts that resulted from this direct impact (\$59.8 million). Although we typically do not consider anything but the direct impacts, if one were to include those indirect and induced impacts using the same methodology, the results would be an indirect/induced impact of \$88.9 million, and a total economic impact (direct + indirect + induced) of \$180.7 million in 2002.

TABLE 4

Year	Direct Revenue Impacts of Scottsdale Airport			
		3% inflation	4% growth	Year end total
1993	32,088,000	962,640	1,283,520	34,334,160
1994	34,334,160	1,030,025	1,373,366	36,737,551
1995	36,737,551	1,102,127	1,469,502	39,309,180
1996	39,309,180	1,179,275	1,572,367	42,060,822
1997	42,060,822	1,261,825	1,682,433	45,005,080
1998	45,005,080	1,350,152	1,800,203	48,155,436
1999	48,155,436	1,444,663	1,926,217	51,526,316
2000	51,526,316	1,545,789	2,061,053	55,133,158
2001	55,133,158	1,653,995	2,205,326	58,992,479
2002	58,992,479	1,769,774	2,359,699	63,121,953

Table 5: COMMERCIAL REAL ESTATE IN THE AIRPARK

Breakdown of Value on Existing Buildings (Square Feet)										
	Office/Warehouse	%	Office	%	Hangar	%	Retail	%	Total	%
Occupied	6,453,973	86	4,331,520	81	575,099	98	3,296,380	97	14,656,973	86
Vacant	1,050,647	14	1,016,036	19	11,737	2	101,950	3	2,180,369	13
Total	7,504,620	45	5,347,556	32	586,836	3	3,398,330	20	16,837,342	99

Table 6: CITY PROPERTY TAXES: AIRPARK

Airpark 2002 City of Scottsdale Tax Levy			
# of Parcels	Primary City Tax	Secondary City Tax	Combined City Tax
2,478	\$1,583,468	\$2,444,341	\$4,027,809

Table 7: CITY SALES TAXES: AIRPARK

Total Taxes Paid in the Airpark					
Business Category	CY96	CY97	CY98	CY99	CY00
Automotive	1,270,452.58	3,148,241.80	3,838,429.25	4,723,226.97	6,128,861.75
Construction	1,826,009.30	1,929,594.48	2,125,530.76	2,395,377.42	3,040,319.98
Food Store	107,654.15	258,896.94	308,098.50	294,857.31	341,664.01
Misc Retail Stores	715,632.58	897,278.24	1,327,986.55	1,643,484.49	2,336,932.79
Other Taxable Activity	290,799.78	322,939.75	377,420.51	490,836.20	737,045.25
Rentals	555,119.10	701,456.76	894,223.56	1,060,368.65	1,263,151.04
Restaurants	103,205.18	219,825.24	308,087.28	306,284.50	496,675.22
Utilities	391,409.86	388,154.30	413,801.66	444,484.94	510,873.89
Combined Categories*	1,602,451.97	1,863,346.19	2,130,212.03	2,521,476.20	3,952,602.22
TOTAL	6,862,734.50	9,729,733.70	11,309,988.44	13,880,396.68	\$18,808,126.15

*Includes hotel/motel, major dept. stores